



Broadband Deployment In Price Cap Areas

June 16, 2016



Alaska Communications Communities

NORTHWEST CONNECTION



- ☆ Network Operations Control Center & Remote Data Hosting Center
- Local Voice & Data Switch Site
- △ MPLS / Carrier Ethernet Locations
- Fiber Optic Cable
- Microwave Links

Updated on 6/9/2015. This map is a geographical representation and coverage shown is approximate. Depiction includes both owned and leased assets.

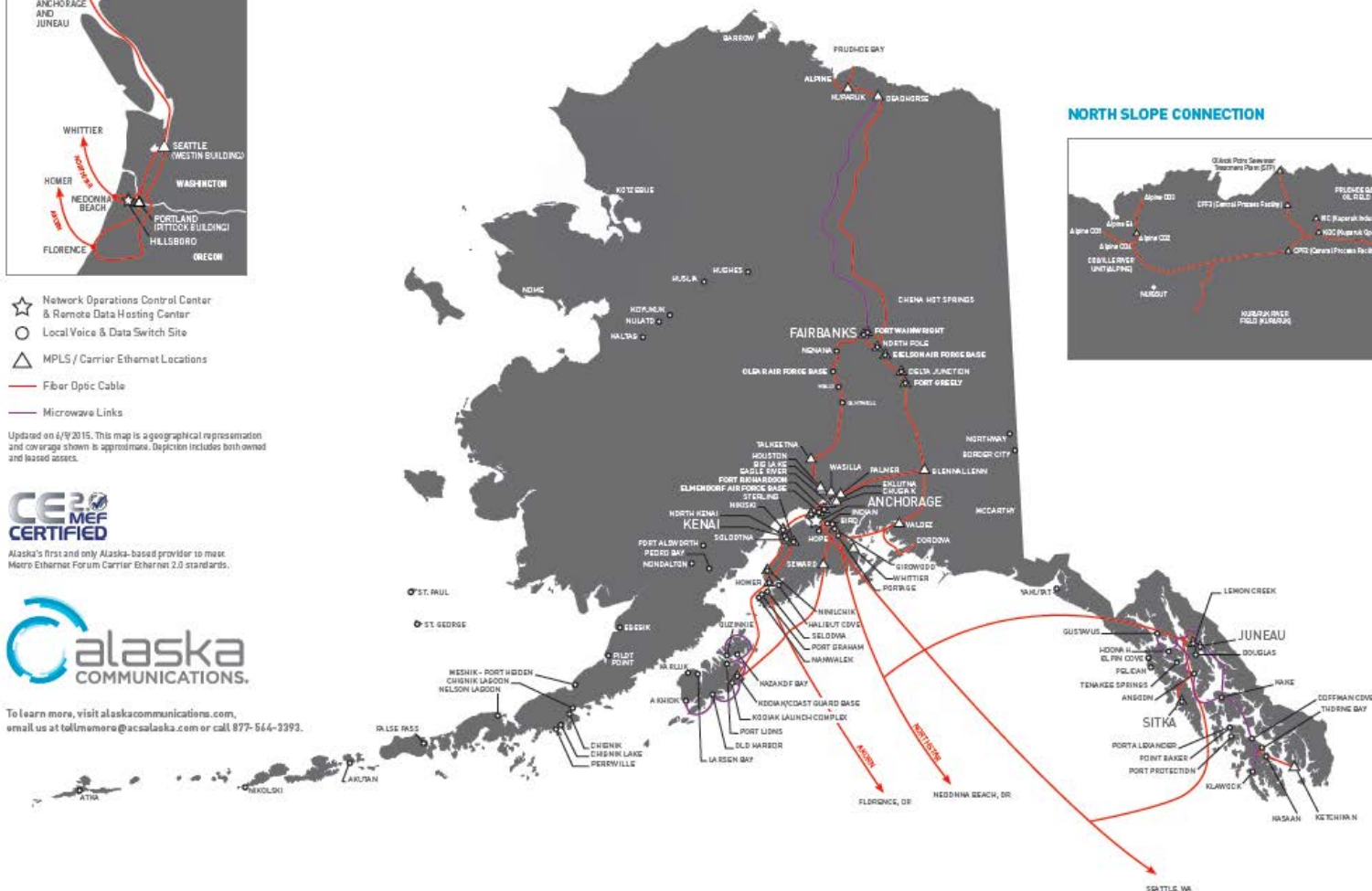


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CAF II Terms for Alaska Communications

- Qualifying broadband service will be deployed to up to 26,000 **unserved locations** in **eligible census blocks**
- **Alaska Communications will not be expected to deploy to more locations than are in eligible census blocks**
 - **Eligible census blocks** will be those meeting the definition of high-cost, accessible via the road system, and unserved by a competitor according to the June 2015 FCC Form 477 data
 - Location is “**unserved by a competitor**” if 10/1 Mbps is not available from a service provider unaffiliated with Alaska Communications
 - First deployment milestone will be **12-31-20**
 - Deployment will be completed over **10 years** (completed by 12-31-26)

Alaska Communications' Analysis Is Based On the Commission's Own Model

- The Commission conceded that Alaska costs and geography are not accurately captured by the model
- Nevertheless, Alaska Communications' proposal for CAF II build-out was premised on the census blocks that were deemed high-cost and “unserved by a qualifying competitor” under the model
- Alaska Communications' February 3, 2015 proposal to serve **26,000** unserved locations was based **on model version 4.2**, the last published version that included AK data, in which **1218 census blocks** are eligible for support
- The company must identify the census blocks, and the total number of locations, to which it intends to deploy by 12-31-17
- **Network engineers already have devoted significant time to analyzing locations in order to begin planning for CAF II deployment**
- ***Two days ago*** Alaska Communications was presented with a new list of census blocks the Bureau represents are unserved by a competitor and eligible according to June 2015 Form 477 data -- Alaska Communications has not been able to reconcile this data with model version 4.2 data
- **FCC policy should not be based on “surprise” but on model version 4.2 data that all parties have had time to analyze**

CAF II Terms for Alaska Communications, cont.

- Alaska Communications will complete its build-out to the required number of locations by deploying broadband to unserved locations within eligible census blocks **except that**:
 - Up to 25 percent of the required number of locations may be unserved locations in partially-served census blocks and
 - Up to 10 percent of the required number of locations may be unserved locations in census blocks with model-based costs below the high-cost threshold but adjacent to eligible high-cost census blocks
- The Commission will conduct a supplemental challenge process after Alaska Communications submits a list of partially-served census blocks to which it intends to deploy broadband using CAF II support
- Broadband service will be made available at minimum speeds of 10/1 Mbps in all locations, and 25/3 Mbps in selected locations, with latency suitable for real-time applications, and capacity and price meeting FCC reasonable comparability standards
- **“Reasonably comparable pricing” should be reasonable for Alaska**

Forbearance for Alaska Communications

- In accordance with the Commission's December 2014 order, Alaska Communications should be relieved from **ETC** obligations in certain census blocks, such as those that are unsupported and not high-cost
- Blanket Section 214 discontinuance authority also should be granted for **voice service** obligations in unsupported areas
 - Unlike other price cap carriers, Alaska Communications is receiving no increase in high-cost support, but is being required to deploy broadband to select locations at considerable expense to the company
 - It is unreasonable to require voice service to be provided without support in high-cost and extremely high-cost areas that previously benefited from high-cost support
- Alternatively, Alaska Communications should be entitled to any voice support mechanism adopted for other price cap carriers – Alaskans should not be punished because the FCC's CAM model was not accurate for Alaska

The Absence of Affordable Middle-Mile Capacity Limits the Possibility of Wider Broadband Deployment in Alaska

- **By far the greatest barrier to broadband deployment in Alaska is the lack of sufficient, affordable middle-mile capacity**
 - Alaska has 188 off-road (Bush) communities, most of which have no access to affordable broadband
- **The nearly \$1 billion budgeted for CETCs in Alaska presents a unique opportunity to reduce this barrier and increase accountability for the use of support by CETCs**
 - The Brattle Group estimated that only 16% of the cost of serving remote Alaska should be spent on last-mile, 84% on middle mile
 - If CETCs intend to spend the entire \$1 billion in ten years, they should spend a substantial portion on middle mile
 - If the CETCs fail to devote a substantial portion of this support to middle mile, they will have failed to use the support efficiently and close the broadband gap – remote communities will remain stranded

Sufficient, Affordable Middle Mile Must Be Part of Any Broadband Deployment In Remote Alaska

- The Commission should require that CETCs devote **sufficient funding to construction of middle-mile facilities** to connect all of the locations where they are using CAF support to deliver last-mile broadband capability
- The Commission should require that CETCs in Alaska **report** annually on the portion of funds that they have devoted to middle-mile facilities, and where those middle-mile facilities have been deployed
- The FCC should **monitor** whether sufficient CETC support, in fact, is being used for deployment of affordable, advanced middle-mile capacity
- If necessary, the Commission should make a **mid-course correction** and require that supported locations be linked to the Internet and other facilities via adequate, affordable middle mile operated on a common carrier basis
- Middle-mile investment, available to all on a common carrier basis, will **reduce the cost of all universal service programs in Alaska over time**

Summary

- **Alaska Communications urges the Commission to move forward with CAF II terms for both Alaska Communications and the rate-of-return LECs in Alaska**
- **All support should be tied to realistic build-out and performance obligations with reasonable accountability for all**
- **CETC support raises a unique opportunity to make a difference for the most remote parts of Alaska by enabling deployment of middle-mile capability to the most remote parts of the state**
- **Failure to mandate that such facilities be constructed and operated on a common carrier basis will leave the broadband gap in place and squander most of the last-mile investment in remote Alaska – these communities will remain stranded**